Agenda Item No. 8.7
Application No. 19-404

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant: **California Housing Finance Agency**

Allocation Amount Requested:

Tax-exempt:	$50,000,000

Project Information:

Name:	**Bernal Dwellings Apartments**
Project Address:	3138 Kamille Court
Project City, County, Zip Code:	San Francisco, San Francisco, 94110

Project Sponsor Information:

Name:	Bernal Homes, LP (Bernal Homes MBS GP, Inc.; and San Francisco Housing Development Corporation)
Principals:	Vincent R. Bennett, Michael C. Duffy and Kim Hartmann for Bernal Homes MBS GP, Inc.; and David Sobel for San Francisco Housing Development Corporation
Property Management Company:	McCormack Baron Management, Inc.

Project Financing Information:

Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	JPMorgan Chase Bank, N.A. (construction)/CalHFA CalHFA (permanent)
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	October 3, 2018
TEFRA Adoption Date:	November 2, 2018

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	160
Manager's Units:	1 Unrestricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

Bernal Dwellings Apartments is an existing project located in San Francisco on a 4.02-acre site. The project consists of 155 restricted rental units, 4 market rate units and 1 unrestricted manager unit distributed as 3 one-bedroom units, 85 two-bedroom units, 70 three-bedroom units and 2 four-bedroom units. Building exterior renovations will consist of roof replacement, new windows, balcony repair and fresh paint. Interior renovations will include remodeling of the community kitchen. Individual units will be updated with new heating units, water heaters, kitchen appliances, cabinets, countertops, flooring, lighting and fresh paint. ADA accessible units will be upgraded to comply with current codes. Site area renovations will include new fencing and upgrades to landscaping and drainage. The rehabilitation is expected to begin in April 2019 and be completed in June 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 97%

22% (35 units) restricted to 50% or less of area median income households.
75% (120 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	95,549,220	
Estimated Hard Costs per Unit:	$	189,290	($30,286,367 /160 units including mgr. units)
Estimated per Unit Cost:	$	597,183	($95,549,220 /160 units including mgr. units)
Allocation per Unit:	$	312,500	($50,000,000 /160 units including mgr. units)
Allocation per Restricted Rental Unit:	$	322,581	($50,000,000 /155 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 50,000,000	$ 22,500,000
Taxable Bond Proceeds	$ 0	$ 2,500,000
LIH Tax Credit Equity	$ 3,991,000	$ 31,899,000
Developer Equity	$ 220	$ 220
Deferred Developer Fee	$ 0	$ 3,400,000
Seller Carryback Loan (SFHA)	$ 14,667,833	$ 14,667,833
Assumed Seller Carryback Loan (SFHA)	$ 20,582,167	$ 20,582,167
Total Sources	$ 89,241,220	$ 95,549,220

Uses of Funds:	
Land Cost/Acquisition	$ 35,250,000
Rehabilitation	$ 32,886,365
Relocation	$ 4,064,873
Contractor Overhead & Profit	$ 1,651,055
Architectural Fees	$ 1,050,000
Survey and Engineering	$ 341,000
Construction Interest and Fees	$ 5,075,528
Permanent Financing	$ 230,000
Legal Fees	$ 362,500
Reserves	$ 1,882,900
Appraisal	$ 7,500
Hard Cost Contingency	$ 3,454,000
Other Project Costs (Soft Costs, Marketing, etc.)	$ 3,293,499
Developer Costs	$ 6,000,000
Total Uses	$ 95,549,220

Analyst Comments:

The developer cited the following reasons for exceeding CDLAC's cost per unit threshold. Acquisition and material costs are at historically high levels in San Francisco. Labor costs are artificially high due to requirements imposed by HUD and by the city's Small Business Enterprise Program. Relocation costs exceed $25k per unit. Social services costs are high during construction due to providing employment services that will connect residents to project jobs.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

93 out of 140 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $50,000,000 in tax-exempt bond allocation.

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ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	31
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	7
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	**140**	**110**	**93**